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PRINCIPLES

WHAT MAKES SOCIAL SECURITY WORK?

The basic principles that
underlie the program

PURPOSE

To help students understand the basic principles that make the Social Security program work.

OVERVIEW

This lesson explains the characteristics of the Social Security system that are responsible for its widespread public acceptance. While many of the principles are taken for granted by today's students, they are still capable of generating some interest when viewed from the perspective of change, i.e., compulsory vs. voluntary system, statutory right vs. needs test.

OBJECTIVES

At the conclusion of this lesson, the student will be able to:

Explain five of the basic principles that underlie the Social Security program and account for the way it works.

MATERIALS

VIDEOTAPE

(if it has not yet been shown)

HANDOUTS (1-7)

FACTSHEET

What Makes
Social Security Work

QUIZ

KEY TERMS

COMPULSORY

Required by law to participate.

INDIVIDUAL EQUITY

The extent to which the individual gets a reasonable return on his/her investment in Social Security.

NEEDS TEST

A requirement that an individual prove need before assistance may be given.

SOCIAL ADEQUACY

The attempt to provide an adequate level of benefits to program participants based on earnings. Should be distinguished from needs-based public assistance program under which need is conditional to participation.

VOLUNTARY SYSTEM

A method under which each individual decides whether or not to participate.

WEIGHTED BENEFITS

A benefit formula which replaces a higher percentage of earnings for lower-paid workers and families.

WORK-RELATED

Directly associated with an individual's level of earnings at a job or jobs.

OPENING THE LESSON

Begin by stating the objective of the lesson: To understand the basic principles that underlie the program and accounts for the way it works.

HANDOUT 1

Review key terms.

DEVELOPING THE LESSON

1. Discuss what are some of the basic principles that characterize the program.

HANDOUT 2

Statutory right (no needs test)

Work-related benefits

Contributory financing

Compulsory participation

Weighted benefits

2. SOCIAL SECURITY IS COMPULSORY.
Discuss. Note the following points.

HANDOUT 3

ADVANTAGES

Benefits assured.

Benefits backed by government.

Benefits automatically rise with cost of living.

Benefits alleviate economic insecurity for individuals, families, society.

Benefits provide continuing income to families.

Lifelong benefits.

DISADVANTAGES

Limits individual choice.

Less money in paychecks.

3. SOCIAL SECURITY BENEFITS ARE PAID AS A STATUTORY RIGHT AND NOT PAID ACCORDING TO NEED.

HANDOUT 4

There is no needs test under the program. What does this mean? Compare with public assistance programs. Do people prefer Social Security to public assistance payments? Why? Why are both needed? Note that public assistance programs help people in need; Social Security and other social insurance programs are designed to prevent need.

ADVANTAGES

Entitlement to benefits based on worker's covered earnings.

Workers do not have to prove need; no stigma attached to benefits.

DISADVANTAGES

Benefits may go to some people who do not need them.

People who do not work under the program may not qualify for benefits.

4. SOCIAL SECURITY BENEFITS ARE WORK-RELATED

What does this mean? Discuss. Have students name other programs that are directly related to work. (Worker's compensation, unemployment insurance, both run by states)

HANDOUT 5

ADVANTAGES

Tax amount based on earnings.

Benefit amount based on earnings.

DISADVANTAGES

People who don't work may not earn benefits.

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- 5. SOCIAL SECURITY IS A CONTRIBUTORY PROGRAM**
Discuss. Ask how can the program be both contributory and compulsory. Explain.

HANDOUT 6

ADVANTAGES

Program financed by those who benefit from the program:

Payroll taxes from employees.

Payroll taxes from employers*.

Payroll taxes from self-employed.

DISADVANTAGES

Some employers complain that taxes add a burden to the cost of doing business, limiting the number of workers they can afford to hire, and decreasing the wages they can afford to pay.

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- 6. SOCIAL SECURITY BENEFITS ARE WEIGHTED**
Explain based on the following information. Then ask if they think it is fair and discuss.

HANDOUT 7

ADVANTAGES

To meet goal of social adequacy as well as retaining some degree of individual equity:

Lower-paid workers receive higher benefits in proportion to their contribution.

Increased benefits paid to workers with families.

DISADVANTAGES

Higher costs to single workers and high earners.

**CONCLUDING
THE LESSON**

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- 7.** Summarize the principles with some statement such as: Social Security has endured over the years because it protects against the major hazards of life. Because the general working public has accepted it, the projection is for it to continue well into the future. Give the quiz and then discuss after students have completed it.

HANDOUT 2

*Participation in a national system of social insurance for workers is part of the cost of business all employers pay. Employers are able to list their Social Security taxes as an income tax deduction. They are also permitted to integrate their pension plans with the Social Security benefits due the employee.

ALTERNATE EXERCISE

This lesson lends itself to a debate format. When you give out the factsheets the day before the class, inform the students that they will be required to select a “for” or “against” position on each of the principles discussed. At the beginning of the class, let students select which side they wish to be on and seat students on opposite sides of the room. Discuss each of the principles, and permit students to change sides for each issue. The debate should be based on the information in the factsheets, but students may be encouraged to use the bibliography if they wish.

QUIZ/ANSWER SHEET — PRINCIPLES

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|----|---|-----|---|
| 1. | A | 6. | A |
| 2. | C | 7. | B |
| 3. | D | 8. | D |
| 4. | C | 9. | A |
| 5. | A | 10. | A |